

Message Text

CONFIDENTIAL

PAGE 01 BRUSSE 17279 01 OF 02 121525Z
ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 STRE-00 AGRE-00 L-03 AID-05
CEA-01 CIAE-00 COME-00 EB-08 FRB-03 INR-10
NSAE-00 SP-02 STR-07 TRSE-00 LAB-04 SIL-01 OMB-01
SSO-00 INRE-00 CTME-00 /071 W
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O 121511Z SEP 78
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC IMMEDIATE 8681
INFO ALL EC CAPITALS
USMISSION GENEVA

C O N F I D E N T I A L SECTION 01 OF 02 BRUSSELS 17279

USEEC

PASS HATHAWAY AND SAYLOR, AGRICULTURE AND STARKEY, STR
ELECTRONICALLY

PARIS ALSO FOR USOECD
GENEVA ALSO FOR USMTN

E.O. 11652: GDS
TAGS: EAGR, EEC
SUBJ: PIZZUTI ON SOME OUTSTANDING AGRICULTURAL MTN ISSUES

1. MISSION AGRICULTURAL ATTACHE AND EC DEPUTY DIRECTOR
GENERAL FOR AGRICULTURE PIZZUTI HAD A "LET IT ALL OUT"
LONG LUNCH, SEPT 11, DURING WHICH PIZZUTI MADE THE FOLLOW-
ING COMMENTS:

A. FEEDGRAINS. A FEEDGRAINS AGREEMENT IS INEVITABLE.
THERE IS NO POSSIBILITY FOR THE COMMISSION TO ASK THE
COUNCIL TO ABANDON IT, SO HOW DO WE GET OUT OF THE PRESENT
STALEMATE? THE U.S. CAN HELP THE COMMISSION OUT OF ITS
BIND IN THE FOLLOWING WAY. THE EC COULD LIVE WITH A
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PAGE 02 BRUSSE 17279 01 OF 02 121525Z

PURELY CONSULTATIVE TYPE OF FEEDGRAINS AGREEMENT, BUT IT
COULD NOT BE LABELED AS SUCH AND STILL BE SALEABLE TO THE
COUNCIL. THEREFORE THERE MUST BE IN THE TEXT AT LEAST AN
INDICATION OF THE TYPES OF MEASURES THAT WOULD BE TAKEN
OR CONSIDERED UNDER CERTAIN MARKET CONDITIONS. THESE
PROVISIONS DO NOT HAVE TO BE VERY EXPLICIT, BUT THEY MUST
BE SUFFICIENTLY SO IN ORDER THAT THE AGREEMENT NOT BE

LABELED A PURELY CONSULTATIVE ONE AND THUS RUN THE RISK OF BEING REJECTED BY ONE OR MORE OF THE MEMBER STATES.

B. WHEAT AGREEMENT. THERE ARE TWO MAJOR OUTSTANDING OBSTACLES TO PROGRESS HERE - LEVEL OF STOCKS AND MINIMUM PRICES. US-EC POSITIONS ON THE FIRST ARE NOT IRRECONCILABLE; AND THERE MUST BE SOME COMMON GROUND BETWEEN THE TWO EXTREMES OF 15 AND 30 MILLION TONS. THE SECOND IS ADMITTEDLY MORE DIFFICULT, BUT WE NEED TO FIND SOME WAY TO SATISFY OUR RESPECTIVE BOTTOM LINES ON THE ISSUE OF MINIMUM PRICES.

C. STRAUSS PRODUCTS. THE SEPTEMBER 25-26 COUNCIL WILL BEGIN TO RESOLVE THE OUTSTANDING MEDITERRANEAN PACKAGE ISSUES IN ORDER TO SATISFY FRANCE AND ITALY. TO THE EXTENT THAT THIS IS POSSIBLE, THE COMMUNITY WILL BE ABLE TO TRY TO SATISFY THE U.S. NEED FOR AN EC OFFER ON THE STRAUSS PRODUCTS. IT IS REASONABLE TO EXPECT THAT THE EC CAN MAKE THESE OFFERS, THOUGH NOT TO THE EXTENT THAT THE U.S. HAS REQUESTED. ONE HAS TO BE REALISTIC AND NOT EXPECT THE COMMUNITY TO SATISFY FULLY, FOR EXAMPLE, THE U.S. REQUESTS ON FRESH ORANGES.

D. EXPORT SUBSIDIES. THE COMMUNITY HAS NOT YET DISCUSSED FORMALLY THE U.S. PAPER ON A SUBSIDIES' CODE FOR AGRICULTURAL PRODUCTS. BUT IN ANY SUBSIDY/COUNTERVAILING

CONFIDENTIAL

PAGE 03 BRUSSE 17279 01 OF 02 121525Z

DUTY CODE, THE EC NEEDS ACCEPTABLE DEFINITIONS FOR: (1) WORLD AND NATIONAL MARKETS, AND (2) NEW MARKETS. THESE ARE THE TWO MOST IMPORTANT OBSTACLES TO PROGRESS IN ELABORATING SUCH A CODE.

E. COUNTERVAILING DUTY WAIVER. THE EC UNDERSTANDS CLEARLY THE DIFFICULTY, IF NOT THE IMPOSSIBILITY, OF GETTING AN EXTENSION OF THIS WAIVER THROUGH THE U.S. CONGRESS. BUT, "FOR GOD'S SAKE," DON'T USE THE WAIVER'S EXPIRATION DATE AS A GUILLOTINE OVER OUR HEADS WHILE TRYING TO NEGOTIATE A COUNTERVAILING DUTY CODE. LET'S ADDRESS OURSELVES TO THE ISSUE ITSELF WITHOUT RESORTING TO LEVERAGE OF THIS KIND. OTHERWISE WE WOULD BE FORCED TO REPLY IN KIND AND THIS WOULD ONLY BE UNPRODUCTIVE.

F. FEEDGRAIN SUBSTITUTES. GUNDELACH INTENDS IMMEDIATELY TO TRY TO NEGOTIATE AN EC MANIOC IMPORT QUOTA WITH THAILAND AT THE PRESENT LEVEL OF APPROXIMATELY FIVE MILLION TONS. IF THIS TURNS OUT NOT TO BE PRACTICABLE, THEN THE COMMISSION IS PREPARED TO RECOMMEND TO THE COUNCIL SOME OTHER IMPORT CONTROL ACTION WHICH WOULD BE TANTAMOUNT TO IMPAIRMENT OF THE SIX PERCENT BOUND DUTY

ON MANIOC. THAILAND HAS RECENTLY APPLIED FOR MEMBERSHIP IN THE GATT AND GUNDELACH WANTS TO DO THIS IN A HURRY BEFORE THAILAND WOULD BE ABLE TO REQUEST COMPENSATION AS A GATT MEMBER FOR SUCH IMPAIRMENT. SOME ACTION TO SLOW DOWN WHEAT BRAN IMPORTS ALSO IS INEVITABLE. BUT THE UNITED STATES HAS NO DIRECT, SIGNIFICANT TRADE INTEREST IN THESE PRODUCTS AND THERE IS LITTLE NEED FOR THE U.S., THEREFORE, TO BECOME DIRECTLY INVOLVED, ACCORDING TO PIZZUTI.

G. FRANCE'S ROLE IN THE AGRICULTURE MTN'S. THE FRENCH ARE THE BIGGEST PROBLEM FOR THE COMMISSION IN FORMULATING ITS VARIOUS POSITIONS IN THE AGRICULTURE MTN'S. DEALING WITH FRANCE BOILS DOWN TO SOME VERY CONFIDENTIAL

CONFIDENTIAL

PAGE 04 BRUSSE 17279 01 OF 02 121525Z

DIFFICULT BARGAINING IN THE COUNCIL OF MINISTERS. THE EXTENT TO WHICH FRANCE PRESENTLY IS PREPARED TO GO ALONG WITH THE COMMISSION ON THE FOREGOING ISSUES DEPENDS

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PAGE 01 BRUSSE 17279 02 OF 02 121528Z
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C O N F I D E N T I A L SECTION 02 OF 02 BRUSSELS 17279

USEEC

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PARTLY ON HOW FAR THE COMMUNITY IS WILLING TO COMPENSATE FRENCH FARMERS FOR ANTICIPATED DAMAGE FROM FARM PRODUCTION IN THE THREE ACCESSION COUNTRIES - GREECE, SPAIN AND PORTUGAL. INsofar AS THE LOI D'ORIENTATION D'AGRICULTURE, PRESENTLY UNDER DISCUSSION IN FRANCE, IS NOT ABLE TO HELP FRENCH FARMERS IN THIS REGARD, THE COMMUNITY WOULD BE EXPECTED BY FRANCE TO PICK UP THE TAB. THIS IS NOT AN IMPOSSIBILITY, BUT WILL REQUIRE SOME HARD AND ASTUTE NEGOTIATIONS BY GUNDELACH. (NOTE: EMBASSY PARIS MAY WISH TO COMMENT BUT AS WE UNDERSTAND IT THE LOI D'ORIENTATION D'AGRICULTURE IS ROUGHLY EQUIVALENT TO U.S. FARM BILLS. THE LAST ONE WAS PASSED IN 1962. A NEW ONE HAS BEEN UNDER DISCUSSION AT THE WORKING LEVEL IN THE FRENCH MINISTRY OF AGRICULTURE FOR ABOUT ONE YEAR. IT PROPOSES TO DEAL WITH A VARIETY OF MATTERS, SUCH AS

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PAGE 02 BRUSSE 17279 02 OF 02 121528Z

STRUCTURAL ASSISTANCE, FARM CREDIT, YOUNG FARMER ASSIST-
ANCE, CALAMITY INSURANCE.)

2. PIZZUTI FEELS A LITTLE THREATENED BY JACQUOT'S APPARENT ADVANTAGE AS A FRENCHMAN AND AN ACQUAINTANCE OF CLAUDE VILLAIN, LOUIS RABOT'S REPLACEMENT AS DIRECTOR GENERAL FOR AGRICULTURE. HE ACKNOWLEDGES, HOWEVER, THAT THERE HAS BEEN THUS FAR NO EROSION OF HIS AUTHORITY AND PREROGATIVES AS JACQUOT'S BOSS AND AS OPERATIONAL CHIEF OF THE AGRICULTURAL NEGOTIATIONS, AND HE WOULD LIKE TO CONSOLIDATE HIS POSITION IN THIS NEW LINE-UP. AS VILLAIN GAINS COMMAND OF HIS NEW JOB, HE IS BEING SWAMPED WITH WORK AND ALREADY IS VERY DIFFICULT TO REACH. ALSO, IN VIEW OF HIS INEXPERIENCE IN TRADE POLICY MATTERS, HE IS LIKELY TO RELY HEAVILY ON THOSE ALREADY EXPERIENCED IN THIS AREA. ESSENTIALLY THIS BOILS DOWN TO PIZZUTI AND JACQUOT. HINTON

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